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BEFORE THE ARIZONA CORPORATION COMMISSION
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2007 AUG 20 P 4: 54

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF THE
COMMISSION ON ITS OWN MOTION
INVESTIGATING THE FAILURE OF VALLE
VERDE WATER COMPANY, TO COMPLY WITH
COMMISSION RULES AND REGULATIONS.


DOCKET NO. W-01431A-07-0462

NOTICE OF FILING

Arizona Corporation Commission Staff ("Staff") hereby provides notice of filing the
following items received by Commissioner Kristin Mayes office:

Correspondence from Michael Leider on behalf of Valle Verde water Company.

RESPECTFULLY SUBMITTED this 20th day of August, 2007.

for 
Charles H. Hains
Attorney, Legal Division
Arizona Corporation Commission
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The original and thirteen copies
of the foregoing were filed this
20th day of August, 2007 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copy of the foregoing mailed this
21st day of August, 2007 to:

William W. Wissler, Esq.
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Tucson, Arizona 85716-2890

Arizona Corporation Commission
DOCKETED
AUG 20 2007

DOCKETED BY 

1 Valle Verde Water Company
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DMD WATER SERVICES
14092 E. Placita Mochuelo
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August 19, 2007

Arizona Corporation Commission
Re: ORDER TO SHOW CAUSE
VALLE VERDE WATER COMPANY

DOCKET # W-01431A-07-0462

After being informed that the attorneys for the estate of Mr. Randell (Deceased) were not able to appear, and I too am unable to appear. Unfortunately I am at the Veterans Hospital in Tucson for more extensive testing, with three successive appointments that has taken three months to culminate on Tuesday.

At this time the Show Cause Hearing can only go one way without some representation. I feel the widow / owner of Valle Verde is not represented at this meeting and unable to represent herself as she is in a nursing home. In the absence of representation I have answered as many of the charges/ allegations that I could, being on board one month.

There never was a deliberate intent of any person at Valle Verde to circumvent any rule or violate the ACC or the ADEQ rules and regulations.

Some of the allegations were presented and resolved in a meeting with the ADEQ in Tucson on Friday, August 3, 2007. Attending were Mr. John Caulkin, Mr. M. McCarthy, Mr. Steve Deverieux, ADEQ, Mr. Wissler, Attorney, Mr. E. Geiser, Engineer for ECC Engineering and myself attending. Some of the allegations were found unfounded and without merit, evidence was presented at that time.

Were the commission find that an interim manager should be brought in and manage the company, they would require an infusion of money to effect the remediation of the contaminant and install the interconnect that was requested. This is the same infusion that Valle Verde has been requesting, but has met with resistance from the State, and the lack of acknowledgement by the City of Nogales for the interconnect or an Approval to Construct or a CC&N.

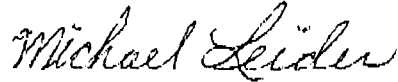
They are experiencing financial difficulty due excessive fees being imposed upon it and an aquifer contaminated by other parties. *This contamination, is by no fault of the water company.* The request to the state for assistance has not materialized.

Commissioner Kristen Mays spoke at Laughlin last spring and stated that the state does not want another McClain / Hereford fiasco, yet due to the uncontrolled pressure being applied financially and politically, this system could fail!

I am currently the Certified Operator of record and can see with an assist by the state as a bond, grant, or loan that this water company can remediate the contaminated wells, disconnect from the City of Nogales, and restore a viable water company as it once was.

We have hired engineers from the firm ECC in Tucson for design work and taken quotes from three vendors as to the application of a G.A.C. systems installation. All that has been lacking is the states assistance!

I respectfully ask for reconsideration of the decision for interim management and instead ask for financial assistance to obtain a loan from the ADEQ / State.

A handwritten signature in cursive script that reads "Michael Leider".

Respectfully Submitted

Michael Leider

Certified Operator Grade III Distribution, Treatment Grade II and
Illinois Class C Operator, Distribution and Treatment

DMD WATER SERVICES
14092 E. Placita Mochuelo
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520-647-7205
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August 17, 2007

Re: Order to show Cause Valle Verde Water Company

As the new operator of the Valle Verde Water Company, I find with great dismay some of the charges compiled within the Petition for Order to show Cause against Valle Verde Water Co.

There were numerous violations that are just, and cause for correction. There are also unjust charges made to magnify the problems that exist or existed.

A short history of the water company is in order, Mr. Randell the owner, past away in 2005 and left behind a widow and a 16 year old child.

He was the only certified operator and was the back bone of the water companies operation. The widow knows nothing about the operation and is currently living in a nursing home due to age and condition. The then current employees of Valle Verde were dedicated to Mr. Randell and the water company. They were unaware that a certificated operator was required and were doing their untrained best to maintain the water company. They went thru the motions of operating the system the best that they were aware of. Dealing with problems as they arose, oblivious to the potential problems that progressively arose.

The system encountered an aquifer contamination to their 12-009 system and were then made aware that they had a major problem on hand. The ADEQ was made aware of the problem by parties unknown to me at this time. The problem was and is a contamination of Tetrachloroethylene a dry cleaner solution or metal cleaning compound sourced from areas unknown. The ADEQ sampled the waters in the City of Nogales Waste Dump as a possible source of the contamination. Other possible sources of infiltration are unknown. It is currently thought to be from under the border.

I have not been made aware of any further attempts to source this contamination by any public entity. The research involved would be cost prohibited to a small water company to do on their own.

The difficulty in obtaining a certified operator, was after the ADEQ was made aware of the owners death a year later. Operators that I am aware of, chose to stay away from the system. The issues included the Mayor of Nogales and his apparent vendetta to discredit this system for the gain of the City of Nogales. There are attributed quotes from the Nogales National, quoting the Mayor, "up to and including possible condemnation" of the system. This was and is his intent to force the demise of this system. His obvious refusal to cooperate in a pressure drop for indemnification from Valle Verde was another ploy used to cause discredit. His statement that "lack of water service, "is most definitely a public health risk that needs to be addressed." My impression as a Mayor responsible to

his constituents, would be **water first**, and if there were resistance to reimbursement for expenses or indemnification, it should be addressed later. Get the water and pressure restored by any means necessary now! Not days later!

He has used the office of Mayor of Nogales to address the Governor to intercede on his behalf to add the forces of the ACC and ADEQ to enforce rules and general requirements. The offices of the ADEQ were already dealing with the issues prior to the addition of political pressure.

I, as a licensed operator, have assisted in the Hereford / McClain system recovery to preserve as much as possible along with Flavio Gonzalez, last year. My willingness to assist distressed water systems is documented by the PDEQ in assisting them in correcting water systems with extensive violations.

I assumed the position of Operator of Valle Verde one month ago and had the thought that with cooperation of related parties that this was a system that could be salvaged. Many of the violations that were cited were never violations to start with or were correctable. I don't mean to down play the violations of contaminants which are critical, but are awaiting some level of cooperation from state or county entities. There was an issue of a temporary tie in, specifically who's idea it was is a valid temporary connection. The fact that the hose leaks is not a negative but a positive factor, as the hose is under pressure greater than the required 20 psi minimum, preventing any exterior contamination. It is not an ideal connection but is a connection supplying water at pressure and flow to the residents. There was mention that Valle Verde has not applied for a system connection (Approval to Construct) to the City of Nogales. Why is Valle Verde required to construct when they have no funds remaining? It would benefit the City also, in the event of a failure on their part in the future. They too could contribute! Valle Verde agreed to the interconnect in July but as of yet have not heard from the city relating to the agreement.

The Valle Verde funds have been depleted by the deliberate abusive charge to Valle Verde for the inter connection of water. There charge of \$2.54 per thousand is again a deliberate attempt to cause the demise. They have been collecting monies of the Valle Verde Water Co. for some years under an illegal agreement and are aware what the revenues to Valle Verde are. Valle Verde charges its residents \$1.30 per thousand. Thus over a short period of time the reserves accumulated in Valle Verde were consumed to pay a fee never agreed upon for this inter connect water. They just started to charge. As reported in the petition there was a complaint of supplying water at a pressure below the 20 psi requirements. I might address that the **City is supplying Water at flow and Pressure to Valle Verde**. The last time I looked at flow and pressure the flow was 160 gpm at one connection and at 120 gpm at the other. This was witnessed by the Field Inspector and ACC Engineer. The supply pressure was 150 # at the City hydrant and thru the hose discharging at 73 # in a private hydrant. At 73 # the elevation that water would obtain would be 168.6 feet and if reduced by the required 20 # at the tap would equate out to 122 feet elevation. Nowhere within the Valle Verde boundary is there an elevation that is 122 feet above anything in the Valle Verde service area.

Possibly they were speaking of low pressure in an isolated well system (#4) that is also contaminated and still connected and pumping water to supply sanitary water to approximately 15 residents, there was a loss of pressure for a sustained period of time. As soon as the failure was noticed Gilbert pump was notified to repair the problem, they

pulled the pump and declared the pump and motor were shot. They would need to send to California for a replacement part. I assumed I could and did do better. I obtained a new motor and pump from a vender at 9:30 at night and proceeded to deliver the assembly to Nogales that night. Gilbert Pump put the assembly in the next morning along with a new magnetic starter. Pressure was restored that Sunday morning. To fault any water system for a pump or a motor failure is wrong. We replaced the units as soon as feasible and continued to supply the residents bottled water. Almost every water company has had a malfunction of their pump or motor at one time or another. To find that "staff alledges that the equipment and facilities of Valle Verde are inadequate and insufficient in violation of A.R.S. 40-321(A)" needs to be clarified as I can't relate to that statement. Currently of the Seven wells on the East side of Highway 19, System 12-009 there are only two wells that are in service. Of those two, one is currently a brand new pump, motor, and electrical contactor.(Well # 4) The other is a Well pump that is maintained and operating within all mechanical expectations. It is oiled and operational.(Well # 3) The Hydropneumatic tank is functioning as constructed and has an approved pressure relief valve in place. There are four remaining wells that are removed from service, as they are in the well field that has contamination and will require remediation before being able to restore them to service. They are capable of operation in the future with the reinstallation of the electric meters. The last well (9) is a well serving a commercial tomato cleaning enterprise and is the projected well for the remediation. Currently it is a agriculture well with some Tetrachloroethylene, but able to be remediated with G.A.C

Across the highway is a system that by a recent inspection of the ACC engineer and field inspector appears to be "pretty nice equipment". The system is of recent construction preparing for a new development. It consists of a 800,000 gallon Reservoir and a 200,000 gallon reservoir. Their pumps and electrics are relatively new and in good repair. All pumps and reservoirs are operational. There is no interconnection between the two systems. Exception to maintenance by my evaluation was a maintenance contract required for the diesel generator. Wells # 5 and # 6 are functioning and are interconnected to blend water. This system is in excellent condition overall and is a separate system from the 12-009 system. It should not be considered for an interim manager as it is operating and maintained in a professional manner. The charges for monitoring violations of the past were being addressed in the Consumer Confidence Report.

I have observed that the ADEQ has issued thousands of dollars in grants to areas to protect the water source. Many of these areas are not drinking water, that, should have some level of precedence over recreational waters. The grant of \$500,000 to the City of Tucson for ground cleanup around the Fire and Police station on Stone Ave. a second time are an example of monies that could have been assisting a small water system, that thru no fault of theirs is suffering the consequences of a aquifer that has been contaminated by others.

The Valle Verde Water Company was part of the MAP system for monitoring and apparently passed for all the then tested chemicals.

I respectfully request that the ACC / ADEQ assist in aiding or funding the purchase of a GAC remediation system. This remediation system, after installation, would allow the Valle Verde Water Company to restore there own pumpage, again accrue funds to

continue to purchase additional remediation equipment on their own and restore their reputation supplying potable water to the many company customers of past.

After reviewing the Staff's Count of Violations:

Count 1: Failure to provide potable water to the customers point of delivery.

Response: As stated the water pressure and flow are currently supplied by the City of Nogales thru the Valle Verde Water Company system, flow and pressure are completely under the control of the City.

Count 2: "Failed to supply a satisfactory and continuous level of service"

Response: If relating to Well # 4 service, that is the new well pump, motor, and starter installed as fast as components were available.

If relating to the system supplied by City of Nogales, They have supplied water at pressures and flow, interrupted by the malfunction of the reverse directional flow into a private hydrant. The burden was put upon Valle Verde to repair, but without funds had to request the City to Assist. After extensive assurances and communication with days elapsed, they agreed to repair, only to discover that the problem is internal to the hydrant and was easily repaired.

Count 3: "Staff alleges that the equipment and facilities of Valle Verde are inadequate and insufficient in violation..."

Response: If staff could identify where the equipment and facilities are inadequate, I would address the issue immediately. I presently can not identify equipment or facilities that would not meet a water department standard or AWWA standards.

Count # 4 "Staff's complaint " Continued failure to provide an adequate level of service"

Response: A failure to a level of service... We read meters, repair in-ground leaks, assist residence with water leaks on their side of meters, investigate complaints of low water pressure, maintain areas around reservoirs, wells, pumps, lubricate well pumps, Maintain and adjust pressure in Hydropneumatic tanks, monitor pressure relief valves on Hydropneumatic tanks and test as necessary, monitor facilities and other related. If staff is relating to level of service at peoples homes or businesses, I would request a more detailed explanation of service denied to these residents. Without an fair explanation of the charges, I find it difficult to properly respond! I don't feel this is fully grounds to take away the water system from the owners nor bring in a interim manager at this point.

Count # 5 "providing water at a pressure lower than 20 psi gauge to some customers"

Response: Again the water is being supplied by the City of Nogales at a pressure that would exceed the highest elevation within the service area. Without the opportunity to witness as to the source of low pressure and at what point in elevation this situation exists I am unsure as to the cause. It conceivably could be due to a blockage at the spigot strainer and just needs to be cleaned out. (Customers Responsibility)

Count # 6 Staff's complaint "Alleges that Valle Verde has violated A.A.C. R14-2-410(A)(3) by discontinuing water service to customers for non payment of City of Nogales sewer bills.

Response: Though there is an illegal contract not approved by the ACC between the City of Nogales and the Mr. Randell of Valle Verde Water Company from some years back.

There are no known actions by the Valle Verde Water Company to deliberately turn off water for the unpaid sewer charges. The then contract, allowed the City to bill the Valle Verde customers for the water, in turn the Valle Verde supplied the meter readings to the City to further assist them in creating and billing their sewer charges. The monies is then sent to the City and the City was to remit Valle Verde's share to them. If a customer might have remitted a partial payment to the City on the customers bill and the City informs Valle Verde that **your half didn't get paid or This customer did not pay** you should turn them off. The inference is then, that it was the Valle Verde portion that is still outstanding. Evidence of Non Payment of Valle Verde Water bill to the City will be required in the future to avoid any confusion. Currently I have no evidence that customers have been turned off for non- payment of a sewer bill. Additionally employees have been instructed to the proper notification for turn offs in the future for non-payment on water bills. R14-2-410(E)(1)(2)(3)(4)(5)

Respectfully submitted,

Michael Leider
Michael Leider

Operator Valle Verde Water Co.